

y&R

**SERVICE
WITH A
SNARL**

**A BRAND
SHOULDN'T
MAKE SERVICE
PROMISES IT
CAN'T KEEP**

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The available version of this document is at www.emea.yr.com/snarl.pdf

SERVICE WITH A SNARL

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**Like many service workers, she's
bored, depressed and would
rather be at home watching TV.**

**And you're going to build your
brand around the customer
service she delivers?**

SERVICE WITH A SNARL

"No one packs my bags at the supermarket any more."

"Is anyone going to let me check out of this hotel today?"

"What do you mean you want the table back at 9pm?"

In affluent countries across the world, the complaint is the same.

Banks, airlines, supermarkets, restaurants and hotels just don't offer the service they used to.

Ratios of cabin service staff to passengers have fallen at most major airlines; full service gas stations, once common in Europe, have all but disappeared.

Why service gets worse

There is a long term, fundamental reason for these declines in service levels:

In advanced countries, most people work in service industries.

They also spend most of their disposable income on the services those industries provide.



As recent British history has shown, even Queen Elizabeth can't get the staff any more.

Each year the wages people earn rise faster than prices they pay for goods and services. (That's why our standards of living keep going up.)

Most of the cost of providing services is the cost of the people who perform them. So as wages rise, the profitability of services is squeezed.

And so the management of those services have little option but to cut the number of people performing the service, or hire cheaper, less committed people.

As a result, each year the quality of the service goes down.

This happens fast

In a country with wages rising 3% a year faster than prices, each year the wage bill of a service company goes up 3% more than the price they can charge their customers for that service.

That 3% a year builds up over time.

Over five years, the wage bill rises by 16%; over a decade by almost 35%.

Very rapidly, every service either becomes unprofitable, or has to cut its service offer.

And if you cut your service offer, customers don't take long to notice.

There's not much anyone can do about it

In modern service economies, dentists would like more attention from their hairdressers; hairdressers would like more attention from the waiting staff at their local café; and the waiting staff at the café would like more flexible appointments and more attention from their dentist.

But in a society where all these people expect to earn more in real terms every year for the services they provide, but expect to pay no more in real terms for the services they consume, it's not going to happen.



When did a flight attendant last have time to be nice to you? In the 1960s, it was 'Coffee, tea or me?'

BITTER AND TWISTED ASSISTANT MANAGER

The downsizing of customer service departments can traumatise those employees who survive.

Everyone wants better service; everyone ends up with worse service; it's a fact of life in a modern service economy.

What about increasing productivity?

Sure, employees have become more productive over the last few decades.

Flight attendants have learned to serve seventy meals an hour rather than thirty. Call centre operatives have learned to cut their customers off the moment they have made their sale.

But all this has happened at a price. As the number of customers dealt with per hour has gone up, the time for smiles and customer care has gone down.

What it means for management

The end result is that managing a service is about managing declining service standards.

Can you bring a drink up to my room?

Can't you use the mini bar?

Can I have a wake up call?

There's an alarm clock by your bed.

Is my rental car ready?

Please just wait in line sir.

Can I have a newspaper?

You should have taken one from the rack before you boarded the flight.

But the critical issue is marketing

But the real problem doesn't lie in the management of services.

As far as managers are concerned, customer dissatisfaction is a day to day issue, and one they can cope with.

The critical issue is the *marketing* of service brands. Because if you look at the marketing plan of any

WHEN YOU BUY A SERVICE, YOU'RE BUYING PEOPLE

% of the cost of providing a service that goes on people

Restaurant	65%
Hairdresser	70%
Accountancy firm	69%
Gas station	45%

Source: IMIU 2003

...AND PEOPLE KEEP GETTING MORE EXPENSIVE

Increase in labour costs per hour across whole economy, 2001 vs 1998

Ireland	24.0%
Portugal	17.9%
UK	13.7%
Netherlands	12.7%
France	11.4%
Sweden	10.0%

Figures based on European Industrial Relations Observatory data/Eurostat/CBS 2001-2002

bank, airline, or hotel chain in the world, you will find at its centre a promise of *excellent customer service*.

A promise they break year in year out.

And a promise which is slowly destroying their brands.



Ensuring callcentre reps take 40 calls an hour may improve their productivity, but they are likely to take their stress out on your customers.

THE DAMAGE THAT BROKEN PROMISES OF SERVICE DO

Marketing a brand means making a promise to customers.

Keep that promise over time, and you end up with a strong brand.

But break that promise repeatedly, and customer loyalty, satisfaction and your brand all crumble.

Every year, as a service chips away at what it offers, it breaks the promise of excellent customer service it has made.

The result is weak service brands.

The evidence

In general, consumers feel markedly less positive about service brands than they do about consumer goods brands.

The prime measures of a brand are its levels of differentiation, relevance, esteem and knowledge amongst the public.

We have looked in the US at these measures for 1407 product-based brands from juices to motor oils, and compared them with 300 service-based brands.

Services are weaker on all four measures, but are particularly weak on differentiation.

This is crucial; a high level of differentiation is the vital first step to building a strong brand. Without it, brands cannot signal to their prospects that they offer something different from the status quo and attract new custom; without differentiation, they are going nowhere.



If you promise excellent service, but your staff don't measure up, it's your brand that suffers.

'But my service brand is strong!'

Of course, many service companies may question the idea that their brand is weak.

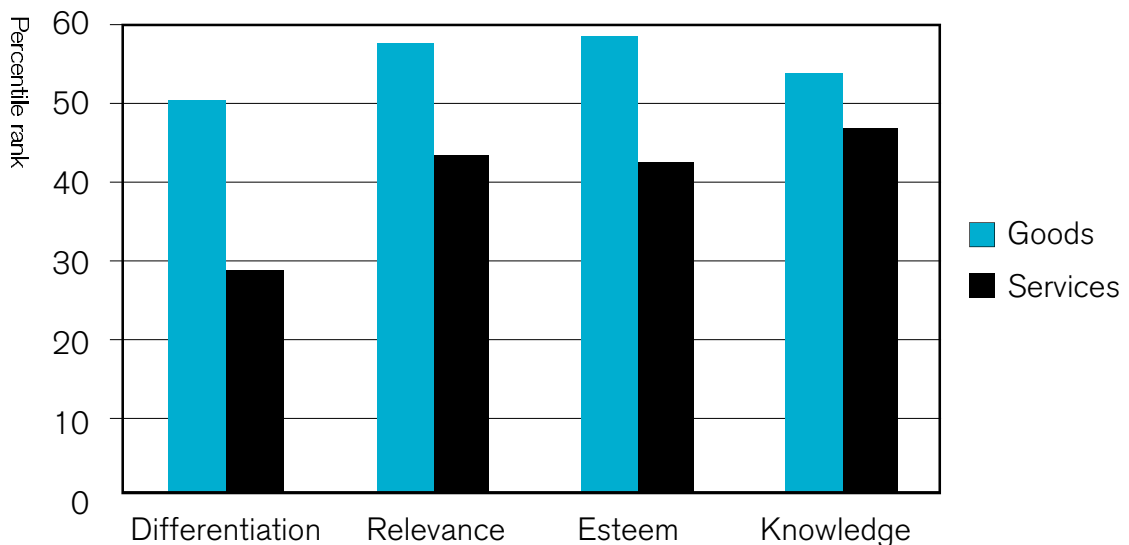
If so, they ought to consider the following:

1. Do you have a brand - or just a site?

Many service companies have research saying they have loyal customers who keep coming back. From this they infer that their brands are strong.

But many of these services are retailers. And much of what retail research measures as loyalty comes from a retailer's local monopoly in the area close around their store.

CONSUMER GOODS BRANDS TEND TO BE STRONG, SERVICE BRANDS TEND TO BE WEAK



Here, we have looked at four key diagnostics for 1407 consumer goods brands from juices to motor oils, and compared them with 300 service brands.

Services are weaker on all four measures, but are particularly weak on differentiation.

A high level of differentiation is the vital first step to building a strong brand. Without it, service brands risk being perceived as commodities.

If you live two minutes' walk from a supermarket, you are loyal to that supermarket, no matter how little you feel for it as a brand.

Many consumer goods brands, on the other hand, have high loyalties even though it is no extra effort for their buyers to choose something else every time they buy. *These are strong brands.*

2. Can your customers leave if they want to?

Banks in many countries argue that their customers are very loyal - indeed they point out that their customers are more likely to get divorced than to move their checking account.

A cynic might point out that a divorce involves less paperwork.

3. When the going gets tough, your customers get going

Consumer goods brands are tough - they survive crisis after crisis, decade after decade. Many of the leading consumer goods brands in America in 1923 - for instance Wrigley, Gillette and Ivory - are still leading brands today.

How many service brands from that time are still strong today?

4. Shape of a really strong service brand

The damage that constantly decreasing levels of service does to service brands becomes apparent when you look at a service brand that doesn't suffer from the rising labour costs problem.

Singapore Airlines draws its flight attendants from a wide pool of South East Asian nations, where rising incomes in the cities are counterbalanced by lower living standards in rural areas.

The airline has consequently not had to compromise on the numbers of flight attendants, nor on the quality of their training nor service for the past three decades.

**COCA-COLA
WRIGLEY
IVORY
GILLETTE
EVER-READY**

All these consumer goods brands were brand leaders in the USA in 1923. Can you name ten leading service brands that even existed then?

Service brands are much less resilient than consumer goods brands.

As a result, Singapore Airlines is consistently rated better than any other airline by frequent global business travellers; and their ‘Singapore Girl’ advertising campaign, unchanged since 1973, has become the strongest brand property in the sky.

If you can't match Singapore Airlines' delivery, you shouldn't promise to your customers that you can.

What if service brands were stronger?

If service brands were stronger, many good things might happen.

For instance, strong product based brands frequently make successful line extensions into other areas.

Vanilla Coke and Snickers Cruncher both owe their success to strong parent brands.

Weak service brands have much greater difficulty extending themselves.

For years banks have been trying to extend themselves into being financial services supermarkets: but their brands are so weak that few consumers are keen to buy the insurance and investment products they offer.

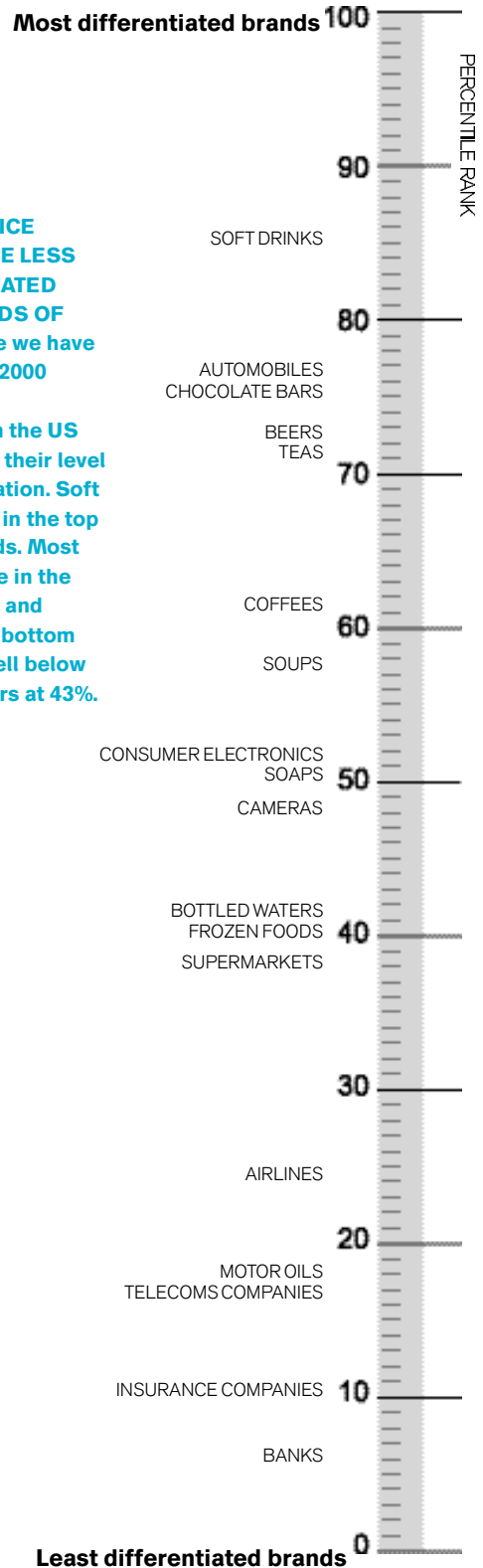
If their brands were stronger, banks might find cross-selling easier.

Similarly, many retailers and other service brands suffer from razor-sharp price competition in their markets.

Strong product based brands rarely suffer from this: whether you choose a digital camera from Sony or from Nikon depends more on what you think of Sony and Nikon than on small fluctuations in their relative prices.

If services had stronger brands, they might be able to trade less on price too.

MOST SERVICE BRANDS ARE LESS DIFFERENTIATED THAN BRANDS OF WATER: Here we have ranked over 2000 brands in all categories in the US according to their level of differentiation. Soft drinks come in the top 20% of brands. Most airlines come in the bottom 30%, and banks in the bottom 10%, both well below bottled waters at 43%.



So what should services do?

Consumer goods brands are strong because they keep their promises every year - and more.

But service brands tend to be weak because they leave a trail of broken promises behind them.

Those promises, be they about employee empowerment, standards of customer care or responsiveness are basically promises about service by people.

Perhaps they should therefore simply stop making them.

GO TO A STYLISH NIGHTCLUB in

America in the 1930s, and you might expect to be waited on by a variety of staff, and watch multi-person Buzby Berkeley style dance spectacles.

Today, nightclubs in America are run by one DJ and a bank of electronics. Chorus lines are simply too expensive.

But venture across the Pacific to Shanghai, where salaries are comparable with America in the 1930s, and the Buzby Berkeley style nightclub, with chorus lines, dance troupes, cocktail waitresses and abundant staff are thriving.

The rising cost of people exerts such pressure on services that in the long term, no service can resist reducing their numbers.

Branding is all about the long term. Basing a brand on a declining level of service delivered by declining numbers of people is therefore futile.

SERVICE PROMISES THAT WORK

What else can a service promise?

If a product brand isn't good, or consistent at something, it doesn't try to tell the world it is. It simply makes a different promise, and over time persuades people that what it does differently is good.

In the 1950s, everyone wanted big, prestigious cars. Volkswagen wasn't big or prestigious. So it said *'Think Small'*.

In the 1992 presidential election, the first President Bush had just won a war. Bill Clinton hadn't. So he said *'It's the economy, stupid.'*

Probe into a service long enough, and there are always quite a number of other promises it can make:

1. PROMISES BASED ON WHAT COMPUTERS DO

Fly from A to B with an airline nowadays, and it's just about possible to make the entire trip without coming into contact with any of the airline's personnel.

- Internet booking means that a computer organises your e-ticket
- Automated check-in machines assign your seat
- Computers entertain you with seatback films and games
- Computers even do most of the flying.

Indeed, it's arguable that an airline today is primarily a service offered by computer.

SO SHOULD WE FORGET ABOUT CUSTOMER CARE?

Training, motivating and rewarding service staff to ensure the highest quality of customer care remains absolutely key to the success of any service.

All we are saying is that because the amount of time and energy your people are able to lavish on your customers will have to decline over time, using customer care as the base for your branded promise is a bad idea - no matter how good your service is compared to your competitors at any point in time.

Similarly with supermarkets. Virtually everything you see in a supermarket, from the position of products on the shelves, to the store layout are organised by computers. Self-checkouts are appearing more and more, eliminating the last customer/employee interface.

So?

Whilst employees get more expensive every year, computers keep on getting cheaper and more powerful - and are likely to continue to do so for the next two decades.

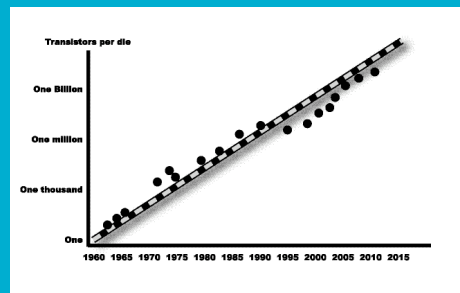
Promises based on what computers do can therefore be sustainable promises for any service - and therefore the basis of strong service brands.

The only thing is, at the moment marketing departments of many service companies are embarrassed that so much of the interface they have with their customers is via computers.

It's time things changed:

- Service which comes from machines can be more *consistent* than service from people. Many younger people prefer to do their banking online because it's easier to see their financial situation than from a garbled conversation with an employee.
- Service from computers can also be more *comprehensive* than service from people. Computers don't need training programs, and can offer complex services fast and easily. Ask for an obscure book in a bookshop, and it'll take a long time for an assistant to track it down. It takes seconds on Amazon.
- Service which comes from computers can also be more *polite* than service from people. When you buy a rail ticket from a Japan Railways machine, a girl in a kimono on the screen bows to you as you

COMPUTERS JUST KEEP ON GETTING BETTER



Moore's Law, first proposed by Gordon Moore of Intel in 1968 states that the number of transistors on a silicon chip, and thus the speed of computing, doubles roughly every eighteen months to two years.

The law has operated for the last thirty years, and shows every sign of continuing to operate for the next twenty. Computers will keep on getting better, faster and cheaper, and they will continue to do so fast.

Promises based on what your people can do today will need revising down within eighteen months; promises based on what your computers can offer today can be exceeded within eighteen months.

Want delighted customers? Base your promises on the capabilities of your computers.

complete your transaction. When was a real service employee that nice to you?

- Service from computers can also be more *friendly* than service from people. Financial services computers never try aggressively to cross-sell you unwanted insurance policies. Financial services customer care staff do it all the time.
- Customers actually want computers to *know them better*. In most countries, the complaint from consumers is not that service company computers know too much about them, but that services just don't bother using the vast amount of customer information they've built up to offer a better, and more individual service to their customers. Every customer lifestyle questionnaire asks you if you like to go to skiing. But when did a service company last use that information to make you a skiing-related offer?

Of course, we're not saying that any form of computerisation is a benefit. Send your customers into a voicemail maze rather than to a nice receptionist, and they will quite rightly hate you for it. But do bank customers need to visit their branch to find whether their monthly pay check has been paid into their account? Most are happy with an automated SMS alert.

So?

Services should look at the benefits that their computers offer, and to use these, rather than what their employees do, as the basis for a branded point of difference:

- Twenty years ago, frequent flyer schemes were just dumb cards for people who had bought a lot of tickets. Today, the airline system recognises frequent flyers at check in, gives them the seats they prefer, gives them special meals, warns the cabin staff to be extra nice to them, ensures they



Hello and welcome to KLM...



IN A WORLD OF TOO MUCH STUFF, SERVICES ARE THE FUTURE

In the 2000s, the worry of the world's manufacturers is overcapacity.

There are simply too many things - computers, cars and other consumer goods - being made in the world, and not enough people buying them.

Faced with this situation, many of the world's manufacturers have seen their future not in making things, but in providing services.

Nowadays, IBM sees itself more as a provider of hi-tech consulting services than of computers.

General Electric sees its future in the provision of financial and other services rather than in its traditional businesses of making aircraft engines and light bulbs.

Makers of home cleaning products continue to study the market for cleaning services. It's six times bigger than the market for cleaning products and growing.

And it cannot be long before the world's food manufacturers, faced with stagnating sales in supermarkets, start to address the growing proportion of food eaten in restaurants, cafes and on the street.

These companies have succeeded in the past through brands based on superior insights into their customers.

Their brands have allowed them good margins, high shares, easier expansion into new markets, and have helped ensure that their customers have stayed with them through good times and bad.

But this approach is about to make them stumble.

In services, all customers tell you they want excellent customer service.

But promise this and your brand is on the road towards being a commodity.

Food sales in supermarkets are stagnating - so how long will it be before the world's largest food groups start to focus on the growing share of food eaten out-of-home in restaurants?

never get bumped and looks after them if the flight is delayed.

Most airlines regard their frequent flyer scheme as completely separate to their main brand. But frequent flyer schemes, intelligently run by empowered computers, are a much more sustainable promise for an airline than smiley flight attendants. *Perhaps they should now become central to airline brands.*

- When banks talk about customer relationship management, they are thinking of the relationship between their customers and their staff. Perhaps it's time they cut their people out of the loop, and started talking about building trust and relationships *with their computers.*

2. PROMISES BASED ON TANGIBLE ITEMS

Over the past ten years, mobile telecoms service producers have suffered from weak brands compared with the brands of handset makers Nokia, Motorola and Ericsson.

The two service providers that have broken out of this low strength ghetto - and two of the most valuable telecoms brands in the world today - are Vodafone and Orange, who just happen to be the two operators who insisted on putting their logos on their handsets.

Vodafone and Orange understood what the others did not: that consumers have difficulty relating to things they can't see and touch - and that if you want a strong branded business, you have to offer consumers something tangible.

If every service encapsulated its qualities in a

tangible item, they would strengthen their brands massively.

Tangible items help conspicuous consumers

“With the greater part of rich people, the chief enjoyment of riches consists in the parade of riches.” said Adam Smith in 1783, two hundred years before Chanel, Gucci and Prada swept the world. People like their friends to know that they own a new handbag or a new Blackberry. That’s half the point of owning them.

They’d also like their friends to know that they stayed at the Four Seasons last week, travelled first class on the train and had lunch at Café Costes. *It’s just that at the moment, services make it much more difficult for them to drop hints to you that they did so.*

Other ways tangible items can help

Tangible items can also make the experience of services *last longer*:

Mums throughout the world know that if they take their kid to a restaurant, that kid is quiet only as long as they’re still eating. As soon as they leave the restaurant’s premises, that kid starts screaming again - unless that restaurant is McDonald’s, and the kid has a Happy Meal toy to take home.

Tangible items can also prolong the *emotional memory* of that service; people who are moved by an opera take the printed programme home and treasure it; people who have been touched by a movie in a theater buy the soundtrack to ‘keep the feeling’.

So?

Every service should consider integrating tangibility into its offer:

- The most emotional and memorable time of most people’s year is their vacation - but do package holiday companies give you anything to



Spend \$700 on a watch, and you have something to show off on your wrist for the next twenty years.

Spend \$700 on a weekend in a luxury hotel, and by Monday morning all you have to show for it is a bill and a credit card receipt.

remember it by? No - and so most people go out and buy an unbranded third-party souvenir instead.

- Similarly, frequent long haul business travellers delight in leaving their free vanity kits in piles in their bathrooms to impress visitors. Which airlines did they fly with? Who knows - because most airlines don't brand their kits. Every form of premium transport ought to leave their business guests with something to place on their desks to impress their colleagues.
- Long haul business cabins tend to be filled with men, and the people who really like toiletries are women. So shouldn't airlines offer a second bag to every passenger to take home to their other half?
- Services can successfully offer limited edition tangible items. In the late 90s McDonalds in South East Asia offered limited edition Chinese and Malay Wedding Hello Kitty dolls with their meals. Demand was so high that middle class professionals in Singapore and K.L. *fought each other* outside the outlets for them.
- Free matchbooks had a real marketing point thirty years ago when everybody smoked, and cool people would ask you for a light. But when was the last time someone you wanted to impress asked you? Restaurants need to invent a new item if they want this mechanism to keep spreading their name.
- People like to show off how wealthy they are - that's why gold and platinum credit cards do so well. But what if you have \$100,000 in mutual funds? Mutual funds ought to have a think about how to help their investors invest a little more conspicuously.



Most city tourist boards have never thought about branded souvenirs.

Not so Venice.

They invented the Venice Carnival - and now every visitor now takes home a Venetian mask.

3. PROMISES OF EXCLUSIVITY

The cost of providing services keeps on increasing. Over time, the service has to choose either to cut people, or to put its prices up.

A brand that cuts people and reduces the level of service never becomes a powerful brand.

A brand that keeps increasing its price risks alienating its customers – or it could become an exclusive premium brand.

Take hairdressing. In low price salons, the skilled professional hairdressers of the past have been replaced by cheaper school leavers and trainees. No one has ever managed to build a sustainable brand in this area.

But at the top of the market, a few companies have kept their commitment to staff training and development, and have built strong, exclusive brands.

In the 1960s, Vidal Sassoon was a small trendy London hairdresser.

Through maintaining quality, he built his business into a globally renowned premium brand. A couple of decades later his brand was so strong that P&G licensed it to develop their global premium hair care range.

In services, occupying an upscale niche can be a powerful, sustainable marketing strategy:

- What's the first thing people tell you about their country club? The length of the waiting list. *Keeping people out can be free advertising.*
- Exclusivity need not be driven purely by price.

“When I board a plane, I have an aversion to turning right.”

**TARA PALMER-TOMPKINSON,
SOCIALITE**

London Health Club *The Sanctuary* has built up a strong brand, but has done so by excluding men from their premises. Will they pamper you? The exclusion of men implies it perfectly.

- Similarly Caribbean resort chain Sandals has built its brand on excluding everyone except couples. They don't need to tell you it'll be romantic; it's in the positioning. *How many other Caribbean resort chains can you name?*

So?

Upscale services should consider centring their brand around exclusivity, rather than superior service. Few are doing so at the moment:

- The banking industry sees wealth management for affluent adults as its next money spinner. Astute marketers will recognise that the appeal of such services lies as much in their exclusivity as in the investment advice, and that whilst the advice may change over time, the exclusivity can be made a long term branded value.
- Nokia are selling upscale mobile phones under their Vertu brand. But how many network service providers are developing premium services of their own?
- Premium cars are a growing niche in car rental. In Germany, Sixt rent out a lot of Mercedes soft tops. Car rental companies might do better to promote these cars under separate exclusive brands.
- The adventure holiday market is being flooded by cash-rich, time-rich greys. Adventure holiday companies' existing adventurous thirty-something clientele don't like going on holiday with their granny. *Sharp tour operators will build age barriers into their holiday brand.*



All the main banks are setting up wealth management services for their affluent customers. But they don't understand them the way the Fendi sisters do.



When you launch a low cost service, the first thing consumers ask is 'Why so cheap?'

If you don't have an answer, they will make up their own - and you may not like it.

4. PROMISE NOT TO DO SOMETHING

How would you feel if you walked into a restaurant and there were no waiters present, there was no cutlery or tablecloths on any of the tables, and the management expected you to clear up after yourself?

Or if you booked a flight, and they didn't give you a ticket, wouldn't give you a seat reservation and offered no food and drink on board?

Well the restaurant is called McDonalds, and it gets some of the highest scores for good service in the food industry.

And the airline is a low cost airline called Ryanair, and its customers love it.

Nowadays, fast food restaurants are now so ingrained in the human psyche that no one would expect to find knives and forks there.

Ryanair is a new brand on the way up. And its trick is to state clearly in its marketing what it *doesn't* offer, and how it passes the savings thus generated on to its customers. So every time its customers *don't* get a complimentary drink, they are happy – because they can see the savings.

What you don't offer can be a powerful point of difference – and because the cost of not doing something doesn't rise, it is likely to be massively sustainable too.

So?

Mass market services should consider how to promote what their brand doesn't offer:

- Taking service away needn't mean cheap or downscale. In Japan, downscale blue collar diners serve 100 yen dishes on conveyor belts to save

staff. Western marketers have grabbed the idea and turned it into city-centre fashion eateries.

- Younger people are much more accepting of new concepts with reduced human service than people aged 35+. *Don't try to please everybody.*
- Most restaurants promise ambience. American automat chain Horn and Hardart promised *no* ambience, with the claim "You can't eat atmosphere."

"We save money by cutting tickets, seat reservations and food on board. But we don't compromise on maintenance or on pilots."

**RYANAIR PRESS
SPOKESPERSON, GERMANY,
AUTUMN 2001**

5. DO YOU REALLY WANT TO PROMISE TO BE CARING ANYWAY?

"Most service brands are desperate to be seen as caring for their customers, straightforward and value for money," say Y&R's BrandAsset Valuator analysts, "and this feeds through to their marketing strategies. But the reality is that these image attributes are more associated with yesterday's brands than with the successful, up-and-coming brands of today. Up-and-coming service brands tend to be perceived more as *dynamic*, *fun* and *exciting*."

"In archetypal terms, yesterday's brands are the '*patriarchs*', old and sensible. Up-and-coming services are closer to '*magicians*' - they promise to transform the marketplace, or the lives of their users. Perhaps in a decade these young thrusters will mature and attract adjectives like '*straightforward*' but lack of these values is not what's holding them back at the moment."

So there you have it. Not only is establishing an image for customer care difficult when the quality of

that care keeps being cut. But it may also be the wrong thing for a service to do in the first place.

So?

Services need to break free of conventional thinking about how their brand should be positioned:

- At one of the most popular Chinese restaurants in London, the staff are rude to their customers on purpose. And the customers keep coming back for the ritual humiliation.
- Why do most airlines make their frequent flyer lounges look so business-like? Virgin know that business travellers are people too, and make their lounges *fun*.

6. TALK ABOUT YOUR PHILOSOPHY

The Body Shop has always offered excellent customer service. But when it comes to promotion, it has focussed on issues:

- Whilst the rest of the cosmetics industry shied away from the animal testing issue, the Body Shop championed it.
- Whilst the fashion industry promoted the anorexic waif, the Body Shop celebrated the curves of the average woman.
- Whilst its competitors developed ever more complex packages for their creams and lotions, the Body Shop campaigned around recyclable packaging.

The end result was a retail formula which created a stir, and thereby gained customers wherever it went in Europe, North America and Asia.



A cup of compelling retail philosophy.

So?

Services need to define their philosophy more precisely:

- Most sports clothing shops offer quality, value, range, low prices. It's not much of a philosophy. And so the customers with the money go to Niketown, which offers them the 'soul of an athlete'.
- Many people worried that Club Med's hippy, anti-materialist philosophy wouldn't work beyond the sixties. Not so. It still offers exactly what many people want out of a holiday, and keeps Club Med a powerful brand in a commodity market.
- Most fashion and home stores in Sweden are perceived by shoppers as pretty much the same. Not so *Indiska*, a chain which uses the Indian theme of its wares and Indian philosophy, to project a distinctive, laid back atmosphere.



As service promises like 24 hour opening become more common and thereby less distinctive, philosophies are what will distinguish retailers.

7. MAKE THE PROMISE SIMPLE

Consumer goods companies are forced to keep their range simple by retailers.

If their blueberry cheesecake mix isn't doing too well in sales, today's grocers will delist it before the company has time to blink. And if the cheesecake had started life as a complex proposition, the grocery buyer would never have given it shelf space in the first place.

The result for consumer goods companies has been simple portfolios of simple products - that is, good marketing.



WHY THERE ARE ONLY THREE KITTENS IN ATOMIC KITTEN:

People talk about changes in musical styles as if they were culturally determined. But the cost of people plays a massive role in the way music is delivered.

In the 19th century, music was delivered by 80-person orchestras. By the 1940s, the cost of musicians had risen, and musical entertainment was provided by 40-person Big Bands. Two decades later, the cost of musicians had risen again, and bands had shrunk to the four or five piece electric guitar combo, plus assorted roadies.

Today, musical acts like Atomic Kitten started out touring with just three singers and one techie.

Will the big bands return? No way! Who could afford them?

But most services don't have the luxury of aggressive distributors breathing down their neck.

Electricity companies can add a 25th price plan with impunity. Pension companies can make their offers complex beyond belief.

And if anyone tries to simplify matters, some internal stakeholder always pops up to defend the minuscule revenue stream that that service still generates.

Complexity is a big reason why customers don't bond with services. Most services could improve their relationship with consumers dramatically, just by simplifying themselves.

So:

- A financial product that needs more than one page to explain it is a bad financial product. You can explain Visa cards in three sentences. That's why everyone carries Visa cards.

- No one ever walked out of a restaurant because they were offered a menu rather than a custom made meal. If you're selling investments, a short menu can be better than a supermarket.
- Some American services are complex because American consumers like to customize. Not so in Europe. Americans order Absolut martinis with crushed ice and three olives, and triple skinny moccachino grandes. Europeans ask for a vodka and tonic or a coffee.
- Why are so many mobile networks and internet access services so desperate to imbue their brands with a hi-tech image? The most successful brands in these markets have been Orange and AOL - both of which have *simple*, easy imagery at their core.

REVOLUTION NEEDED

We'd be the first to admit that the primary reason first-class service companies have become first-class over the past few decades has not been marketing.

Their brilliant mastery of logistics and the computerisation of their supply chains are what have got them there.

Supermarkets used to sell the contents of their stores once every three months; today some turn over every six days; those banks that make profits today do so because computerisation has slashed their internal costs; even Amazon gained its edge primarily through superior logistics at its Seattle warehouses.

All well and good

But the end result of this is that most service companies have become logistics oriented, rather than market oriented.

And whilst there are countless ways of marketing a brand, there are far fewer ways of cutting costs and improving efficiency.

The constant search for cheaper, more efficient ways of doing things has sent whole service industries down the same path.

All banks offer the same ATM dialogue; all car rental companies the same models; aircraft cabins and hotel rooms all look increasingly the same.

Services, distinctive in the past, have become



**The companies in many service industries
are all headed down the same path.**

commodities, with the wafer thin margins, price wars and eventual death by a thousand cuts that this eventually entails.

How can a service break out of this?

At the moment, logistics departments save the money, and control most of what the company does. Marketing departments control the promotions budget and perhaps run the customer care school. It's efficient, but it doesn't give service companies an edge.

Back in the 1950s, consumer goods companies realised that to gain an edge over their competitors they needed a customer orientation - and differentiation became their new startpoint.

Services have yet to make the switch.

If services could leverage the massive power of

logistics within their companies to make themselves less like their competitors rather than more like them, a bright and profitable future is theirs.

Otherwise, as so many service brands in the past have found, a slow death awaits.

SUMMARY

1. As Western societies become more affluent, the wages consumers receive rise faster than the prices they pay for products and services.
2. The bulk of the cost of providing a service is the wage bill of the people at the point of delivery. So over time, all services have to cut the service they offer.
3. So any service which promises it will deliver excellent customer service through its employees will have to break that promise.
4. Most services do this. The result is weak service brands.
5. Weak brands prevent services from extending what they offer, and leave them vulnerable to destructive price wars. Weak bank brands struggle to cross-sell insurance and investments; weak retailers end up crying 'low, low prices'
6. But it needn't be this way. There are plenty of more sustainable things services can base their brands on.
7. For instance, computers are increasingly vital to most services. And because they keep getting better, cheaper and faster, they can be the basis of sustained promises. With airlines, computers increasingly run the show anyway, from online booking to automated check-in to flying the plane itself. Airlines need to rethink their marketing. And the smiley stewardesses in their ads may have to go.
8. Other sustainable promises include that of *exclusivity*. If the cost of running your service is

going to keep on increasing, making a conscious choice to exclude the people who can no longer afford it, and to focus on the resulting exclusivity it is a smart move. People judge country clubs on the length of their waiting list, not on how long it takes to get served in their bar.

9. A weakness many service companies share is their lack of tangibility - once they have been consumed, they are gone. Leaving their customers with a *physical item* can strengthen their brands considerably.
10. Service companies don't have aggressive distributors to force them to keep their offers simple. Complex services confuse consumers - and the people performing them. Services could increase the strength of their brands by simplifying their service.
11. Services can also differentiate themselves effectively by *not* doing things. When Ryanair doesn't serve its customers a drink, they taste the savings.
12. A distinctive philosophy can also make a service brand stand tall within its marketplace. No army is as powerful as an idea whose time has come.
13. Services need to take these types of thinking on board fast. Benchmarking, logistics and supply chain management have all made services much more efficient, but have also made them increasingly the same. There are few profits in commodity markets, and most services are heading that way.

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